REMARKS

I. STATUS OF THE CLAIMS

In this amendment, Applicants canceled claims 47-49 without prejudice or surrender of any subject matter. Claims 23-46 remain pending.

II. TELEPHONIC INTERVIEW

Applicants thank the Examiner for taking time to discuss this application. Applicants acknowledge the Examiner's conclusion that Fernandez-Holman do not anticipate or render the claims obvious. In view of this the Examiner agreed to allow claims 23-46 subject to a final search of the prior art.

III. CLAIM OBJECTIONS

In the current Office Action, the Examiner maintained the objection to dependent claims 47-49 as failing to further limit the subject matter of the a previous claim. Claims 47-49 are now canceled and withdrawal of this objection is now requested.

IV. CLAIM REJECTIONS

In view of the above-mentioned final art search, the Examiner asserted new grounds of rejection. In particular, at Sections 4-16 of the Office Action, the Examiner rejected claims 23-32, 35-40 and 45-49 under 35 USC §103 as being unpatentable over Borowsky's "Wells Fargo's credit card is a natural advantage" in view of Wells Fargo's "Wells Fargo links its Plastic with mortgages" and in further view of alleged knowledge in the art (see, e.g., Section 8 of the Office Action). The Examiner has also rejected, in Section 17, claims 33, 34 and 41-44 under 35 USC §103 as being unpatentable over Borowski and Welss Fargo and in further view of of U.S. Patent 6,070,153 to Simpson and alleged knowledge in the art. However, as will become apparent, the claimed invention is patentably distinguishable from all these references.

First, Applicants respectfully disagree with the analysis and rationale used by the Examiner in rejecting the claims because Applicants believe that the Examiner has made and relied on assertions about the alleged knowledge in the art that are materially incorrect and are inapplicable to the claimed invention as recited in above-enumerated claims (see, e.g., Section 8).

Second, Borowsky, Wells Fargo and Simpson, do not support the claim rejections because they fail to teach or suggest the claimed invention, singly or combined. Third, Applicants believe that because the alleged knowledge in the art relied on by the Examiner is materially incorrect and does not make up for the deficiencies in Borowsky, Wells Fargo and Simpson, combined, all the cited references do not produce the claimed invention.

More specifically, various embodiments of the claimed invention are directed to a system and method for administrating a credit card use incentive program. In independent claims 23, 35 and 45, the claimed invention is recited, in part, as comprising

> establishing a credit card account with the credit card issuer for a credit card holder having an account at a particular lending institution for an installment loan with a cost that requires a fixed number of periodic equal-sized payments made by the credit card holder to retire the loan,
>
> accumulating the total value of all purchases made by the card holder using the credit card during a period of time,
>
> checking...good standing...,
>
> calculating an installment loan benefit amount based on the accumulated value of purchases...,
>
> determining...outstanding balance..., and
>
> transferring the installment loan benefit amount to the particular lending institution to apply the installment loan benefit amount, as an *additional* payment, against the outstanding *principal* on the installment loan account, if the credit card account is in good standing and there is an outstanding principal balance, so as to *reduce* the cost of the installment loan.

(*emphasis added*).

An important thing to note from the foregoing is that the installment loan benefit amount, i.e., the rebate earned by the card holder as an incentive for using the credit card, is an *additional* (not a regular) payment applied against the *principal* of the installment loan. Indeed, in accordance with the present invention, the installment loan already exits when the credit card account is established, and any rebate earned subsequently by the card holder is an installment

loan benefit amount applied as an additional payment against the principal, above and beyond the regular payment against the principal of this installment loan.

Then again, in analyzing the feature of additional payments, the Examiner argues that "a 9% note pays down the principal by... $10.38 more than 10% note. This $10.38 is the *installment loan benefit amount*, applied as an *additional* payment, against the outstanding principal on the installment loan account." (See: Office Action at page 3 Section 8). Clearly, this assertion is incorrect because the additional payments against the principal are entirely different, in form and substance, from an interest rate discount which translates to interest and principal components of the loan repayment when the loan is originated.

It is true that regular payments made to repay an installment loan each have interest and principal components and, eventually, the sum of these payments covers the cost of the loan and retires the loan. However, changing the interest rate to change the ratio between the interest portion and the principal portion is entirely different from making an additional payment on the principal, a payment above and beyond the regular principal payment portion. Whether an interest rate discount does or does not reduce the cost of the loan, it most certainly does not reduce the cost of the loan by making additional payments against the outstanding principal after the loan is originated. Indeed, the payments against principal in accordance with the present invention are inherently unpredictable as they are calculated based on the accumulated value of purchases (see claim recitation above). By contrast, an interest reduction yields predictable regular principal portions of the payment. Thus, because reliance on materially incorrect assertions renders the claim rejection analysis flawed, Applicants believe that, in this case, the claim rejections cannot be sustained.

Notably also, in analyzing the claims against the cited references, in Section 6, for instance, the Examiner indicates that the reference (Borowski) teaches "transferring the installment loan benefit amount to particular lending institution, so as to reduce the cost of the loan." Both Borowski and Wells Fargo appear to disclose a credit card use incentive rebate, but the Examiner acknowledges, in Section 8, that Borowski does not teach applying the loan benefit amount as an additional payment against the outstanding principal. Moreover, contrary to the Examiner's argument, Wells Fargo does not make up for Borowski's deficiency as it does not

teach "transferring the installment loan benefit amount to the particular lending institution to apply the installment loan benefit amount, as an *additional* payment, against the outstanding *principal* ..."

Granted, the claimed invention also uses rebates to encourage credit card use. Specifically, in accordance with the present invention as recited in claims 23, 35 and 45, the additional payments against the principal *reduce the cost* of the loan because they decrease the lifetime interest debt (inherently by *decreasing faster the loan principal balance*). Unlike the present invention, however, Borowski and Wells Fargo do not change the loan term and neither Borowski nor Wells Fargo suggests reducing the cost of the loan with an additional payment against principal. In fact, while Borowski discloses applying a credit card rebate towards mortgages Wells Fargo discloses reducing the cost of a loan by applying credit rebates against points (loan origination fees) or by lowering the interest rate (of the originated loan).

Lastly, Simpson does not make up for the deficiency in Borowski and Wells Fargo. Simpson dose not teach or suggest applying the installment loan benefit amount as an additional payment against the outstanding loan principal.

In a case such as this, according to the principles of patent law, obviousness is a matter of evidence, an objective inquiry based on the teachings in the sources of evidence, i.e., in the teachings of the art. In this case, there is no evidence in the cited references of any connection between the credit card use incentive rebates and decreasing cost of loans by reducing faster the loan principal balance. Indeed, the cited references do not make or suggest the connection between credit card use incentive rebates and reducing the cost of loans by additional payments against principal, over and beyond the regular principal payments. Alleging otherwise without supportive evidence is not sufficient to make a *prima facia* case of obviousness. Accordingly, in this instance, the references and alleged knowledge in the art do not support a *prima facia* case of obviousness.

Because independent claims 23, 35 and 45 are patentably distinguishable from and allowable over all the cited references dependent claims 24-34, 36-44 and 46-49 are also allowable.

V. CONCLUSION

Considering the foregoing, Applicants respectfully submit that the claimed invention is patentable over all the cited references and kindly request reconsideration and withdrawal of the claim rejections accordingly. Applicants acknowledge and thank the Examiner for reviewing the amendments and comments above and kindly invite the Examiner to call Applicants' Counsel should any issue remain outstanding, so that a Notice of Allowance can issue soon.

The Commissioner is authorized to charge any fee deficiency or credit any fee overpayment to deposit account no. 50-2778.

Respectfully submitted,

Dated: June 6, 2005

Leah Sherry
Reg. No. 43,918

DECHERT LLP
Customer No. 37509
Tel: (650) 813-4800

CERTIFICATE OF MAILING (37 CFR 1.8(a))

I hereby certify that this paper (along with any referred to as being attached or enclosed) is being deposited on June 6, 2005, with the U.S. Postal Service as first class mail in an envelope addressed to: Mail Stop Amendment, Commissioner for Patents, P.O. Box 1450, Alexandria, VA, 22313-1450.

Date: June 6, 2005

Yolette Yturralde-Owen